

**Township of Brookfield  
Eaton County, Michigan**

**FINANCIAL STATEMENTS**

**March 31, 2008**

Township of Brookfield

Eaton County, Michigan

March 31, 2008

BOARD OF TRUSTEES

Nolan B. Spotts

Supervisor

Sharon Roiter

Clerk

Florence Powers

Treasurer

Russ A. Nelson

Trustee

Jim Orr

Trustee

Township of Brookfield

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**INDEPENDENT AUDITOR'S REPORT**

Members of the Township Board  
Township of Brookfield  
Eaton County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Brookfield, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Brookfield, Michigan as of March 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison information, as identified in the Table of Contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Township has not presented a management's discussion and analysis (MD&A), which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that the MD&A is necessary to supplement, although not required to be part of the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Brookfield's financial statements. The accompanying other supplementary information, as identified in the Table of Contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

September 25, 2008

East Lansing ■ Rochester Hills ■ St. Johns

## **BASIC FINANCIAL STATEMENTS**

Township of Brookfield  
STATEMENT OF NET ASSETS  
March 31, 2008

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets			
Cash	\$ 171,442	\$ 133,951	\$ 305,393
Cash - restricted	821	-	821
Accounts receivable	-	1,260	1,260
Taxes receivable	3,478	-	3,478
Special assessments receivable	-	43,105	43,105
Internal balances	(35,719)	35,719	-0-
	140,022	214,035	354,057
Noncurrent assets			
Capital assets not being depreciated	-	3,291,339	3,291,339
Capital assets, net of accumulated depreciation	8,331	-	8,331
Total noncurrent assets	8,331	3,291,339	3,702,391
<b>TOTAL ASSETS</b>	148,353	3,505,374	4,056,448
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	303	2,092	2,395
Accrued interest payable	-	7,614	7,614
Current portion of long-term debt	-	133,918	133,918
Total current liabilities	303	143,624	143,927
Noncurrent liabilities			
Noncurrent portion of long-term debt	-	2,653,086	2,653,086
<b>TOTAL LIABILITIES</b>	303	2,796,710	2,797,013
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	8,331	504,335	512,666
Restricted for cemetery maintenance	821	-	821
Unrestricted	138,898	204,329	343,227
<b>TOTAL NET ASSETS</b>	\$ 148,050	\$ 708,664	\$ 856,714

See accompanying notes to financial statements.

Township of Brookfield  
STATEMENT OF ACTIVITIES  
Year Ended March 31, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Governmental activities							
General government	\$ 88,958	\$ 20,336	\$ -	\$ -	\$ (68,622)	\$ -	\$ (68,622)
Public safety	17,309	500	-	-	(16,809)	-	(16,809)
Public works	41,205	-	3,560	-	(37,645)	-	(37,645)
Health and welfare	1,124	-	-	-	(1,124)	-	(1,124)
Total governmental activities	148,596	20,836	3,560	-0-	(124,200)	-0-	(124,200)
Business-type activities							
Narrow Lake sewer	83,409	38,431	-	270,561	-	225,583	225,583
Total	<u>\$ 232,005</u>	<u>\$ 59,267</u>	<u>\$ 3,560</u>	<u>\$ 270,561</u>	(124,200)	225,583	101,383
General revenues							
Property taxes					35,069	-	35,069
State shared revenue					98,317	-	98,317
Investment earnings					5,273	442	5,715
Miscellaneous					5,189	511	5,700
Transfers					2,843	(2,843)	-0-
Total general revenues and transfers					146,691	(1,890)	144,801
Change in net assets					22,491	223,693	246,184
Net assets, beginning of the year					125,559	484,971	610,530
Net assets, end of the year					<u>\$ 148,050</u>	<u>\$ 708,664</u>	<u>\$ 856,714</u>

See accompanying notes to financial statements.

Township of Brookfield

GOVERNMENTAL FUNDS BALANCE SHEET

March 31, 2008

	General	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash	\$ 171,442	\$ -	\$ 171,442
Cash - restricted	-	821	821
Taxes receivable	3,478	-	3,478
<b>TOTAL ASSETS</b>	<b>\$ 174,920</b>	<b>\$ 821</b>	<b>\$ 175,741</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 303	\$ -	\$ 303
Due to other funds	35,719	-	35,719
<b>TOTAL LIABILITIES</b>	<b>36,022</b>	<b>-</b>	<b>36,022</b>
<b>FUND BALANCES</b>			
Reserved for			
Cemetery maintenance	-	821	821
Unreserved			
Undesignated, reported in General fund	138,898	-	138,898
<b>TOTAL FUND BALANCES</b>	<b>138,898</b>	<b>821</b>	<b>139,719</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 174,920</b>	<b>\$ 821</b>	<b>\$ 175,741</b>

See accompanying notes to financial statements.



Township of Brookfield

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS

March 31, 2008

**Total fund balance - governmental funds** **\$ 139,719**

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources  
and therefore are not reported as assets in the governmental fund.

The cost of capital assets is	\$ 12,691	
Accumulated depreciation is	<u>(4,360)</u>	
Capital assets, net		<u>8,331</u>
<b>Net assets of governmental activities</b>		<u><u>\$ 148,050</u></u>

See accompanying notes to financial statements.

Township of Brookfield

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS

Year Ended March 31, 2008

	General	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 53,445	\$ -	\$ 53,445
Intergovernmental	101,877	-	101,877
Charges for services	2,460	-	2,460
Interest	5,268	5	5,273
Other	5,189	-	5,189
TOTAL REVENUES	168,239	5	168,244
EXPENDITURES			
Current			
General government	75,463	-	75,463
Public safety	17,309	-	17,309
Public works	41,205	-	41,205
Health and welfare	1,124	-	1,124
Other	6,408	-	6,408
Capital outlay	5,758	-	5,758
TOTAL EXPENDITURES	147,267	-0-	147,267
EXCESS OF REVENUES OVER EXPENDITURES	20,972	5	20,977
OTHER FINANCING SOURCES			
Transfers in	2,843	-	2,843
NET CHANGE IN FUND BALANCES	23,815	5	23,820
Fund balances, beginning of year	115,083	816	115,899
Fund balances, end of year	\$ 138,898	\$ 821	\$ 139,719

See accompanying notes to financial statements.

Township of Brookfield

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGE IN FUND BALANCES OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended March 31, 2008

**Net change in fund balances - governmental funds** **\$ 23,820**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlay is reported as expenditures in the governmental fund. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 1,099	
Depreciation expense	<u>(2,428)</u>	
Excess of depreciation expense over capital outlay		<u>(1,329)</u>

**Change in net assets of governmental activities** **\$ 22,491**

See accompanying notes to financial statements.

Township of Brookfield

STATEMENT OF NET ASSETS - PROPRIETARY FUND

March 31, 2008

	Business-type Activities Narrow Lake Sewer
<b>ASSETS</b>	
Current assets	
Cash	\$ 133,951
Accounts receivable	1,260
Special assessments receivable	43,105
Due from other funds	<u>35,719</u>
Total current assets	214,035
Noncurrent assets	
Capital assets not being depreciated	<u>3,291,339</u>
TOTAL ASSETS	3,505,374
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	2,092
Accrued interest payable	7,614
Current portion of long-term debt	<u>133,918</u>
Total current liabilities	143,624
Noncurrent liabilities	
Noncurrent portion of long-term debt	<u>2,653,086</u>
TOTAL LIABILITIES	<u>2,796,710</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	504,335
Unrestricted	<u>204,329</u>
TOTAL NET ASSETS	<u>\$ 708,664</u>

See accompanying notes to financial statements.

Township of Brookfield

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -  
PROPRIETARY FUND

Year Ended March 31, 2008

	Business-type Activities
	<u>Narrow Lake Sewer</u>
OPERATING REVENUES	
Charges for services	\$ 38,431
Other	<u>511</u>
	38,942
OPERATING EXPENSES	
Utilities	13,051
Supplies	1,985
Maintenance	1,220
Insurance	3,019
Service charge	560
Miscellaneous	<u>4,290</u>
TOTAL OPERATING EXPENSES	<u>24,125</u>
OPERATING INCOME	14,817
NONOPERATING REVENUES (EXPENSES)	
Special assessments	270,561
Interest revenue	442
Interest expense	(59,284)
Transfers out	<u>(2,843)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>208,876</u>
CHANGE IN NET ASSETS	223,693
Net assets, beginning of year	<u>484,971</u>
Net assets, end of year	<u>\$ 708,664</u>

See accompanying notes to financial statements.

Township of Brookfield

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

Year Ended March 31, 2008

	Business-type Activities Narrow Lake Sewer
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	\$ 37,682
Cash paid to suppliers	(27,183)
NET CASH PROVIDED BY OPERATING ACTIVITIES	10,499
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Bond and loan proceeds	274,343
Payments on borrowings	(133,552)
Capital purchases	(327,055)
Interest expense	(59,619)
Special assessments	260,749
Interfund transactions	(38,562)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(23,696)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest revenue	442
NET (DECREASE) IN CASH	(12,755)
Cash, beginning of year	146,706
Cash, end of year	\$ 133,951
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 14,817
Adjustments to reconcile operating income to net cash provided by operating activities	
(Increase) in accounts receivable	(1,260)
(Decrease) in accounts payable	(3,058)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 10,499

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

**NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Brookfield Township, Michigan was organized as a Township under provisions of the constitution and general law of the State of Michigan. The Township is one of sixteen (16) townships in Eaton County. The Township operates under an elected Township Board, which consists of a Supervisor, Clerk, Treasurer, and two trustees, and provides services to its residents in many areas including fire protection, roads, and ambulance service.

The financial statements of the Township have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to Township governments. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Township's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present all financial activities of the Township of Brookfield. The Township has no activities that would be classified as component units.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens. Based upon the application of these criteria, the financial statements of Brookfield Township contain all the funds controlled by the Township Board.

2. Related Organization

Rural Fire Association - The Rural Fire Association was established as a legally separate nonprofit organization. Members pay dues yearly and have one member and one vote on the Board of Directors. Currently, the members are the Townships of Brookfield, Carmel, Chester, Eaton, and Walton. The Association has a contract with the City of Charlotte for expenses connected with fire department services in the areas serviced. The Township of Brookfield does not hold title to any of the Association's assets, nor does it have rights to any surpluses or responsibility to finance any deficits of the Association. The Township of Brookfield paid \$10,579 to the Association in the year ended March 31, 2008.

3. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government as a whole. All non-fiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements).

The statement of activities presents the direct functional expenses of the primary government and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

Township of Brookfield  
NOTES TO FINANCIAL STATEMENTS

March 31, 2008

**NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

3. Basis of Presentation - continued

**FUND FINANCIAL STATEMENTS**

The fund financial statements present the Township's individual major funds and aggregated nonmajor funds. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements.

The major funds of the Township are:

- a. The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Narrow Lake Sewer Fund is used to account for the operations required to provide sewer services to the general public, the costs (expenses, including depreciation) are financed or recovered primarily through user charges.

4. Measurement Focus

The government-wide and proprietary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

5. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are special assessments and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

Proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.



NOTES TO FINANCIAL STATEMENTS

March 31, 2008

**NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

5. Basis of Accounting - continued

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

6. Budgets and Budgetary Accounting

The General Fund budget shown as required supplementary information to the financial statements was prepared on a basis not substantially different than the basis used to reflect actual results.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to April 1, the budget is legally adopted on a functional level through passage of a Board resolution. After the budget is adopted, all transfers of budgeted amounts between accounts within the fund or activity or any revisions that alter the total expenditures of the fund or activity must be approved by the Township Board.
- b. Formal budgetary integration is employed as a management control device during the year.
- c. The Township does not employ encumbrance accounting as an extension of formal budgetary integration. Appropriations unused at March 31 are not carried forward to the following fiscal year.
- d. Budgeted amounts are reported as originally adopted and amended by the Township Board during the year. The amendments to the originally adopted budget were not material.

7. Cash and Restricted Cash

Cash consists of various checking and savings accounts. Restricted cash relates to amounts held for cemetery maintenance, as restricted for use by the donor.

8. Property Tax

Brookfield Township bills and collects both its own property tax levy and the tax levy for other governmental units. The Township's property tax revenue recognition policy and related tax calendar disclosures are as follows:

Property taxes are levied twice per year. A summer tax is levied on July 1 and a winter tax is levied on December 1. The tax levies are due September 14 and February 14, respectively. All taxes not paid by their due dates are deemed delinquent. Delinquent real property taxes are turned over to the Eaton County Treasurer on March 1 of the year following the levy. The Eaton County Treasurer remits payment to all taxing units on all delinquent real property taxes. Delinquent personal property taxes are retained by the Township for subsequent collection. Property taxes are recognized as revenues in the period for which they are levied.

The Township is permitted to levy up to \$1 per \$1,000 of assessed valuation for general governmental service and additional amounts for roads and bridges. For the year ended March 31, 2008, the Township levied 0.8597 mills per \$1,000 of assessed valuation for general governmental services. The total taxable value for the 2007 levy for property within the Township was \$40,791,794.

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

**NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

9. Capital Assets

Capital assets consist of land, equipment, and a sewer system and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements. Capital assets are those with an estimated useful life of more than one year and a value exceeding \$1,000 for most items and \$500 for theft-sensitive items such as computers and voting equipment. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation for the equipment is computed using the straight-line method over 5 years.

10. Reserved fund balances and restricted net assets

Reserved fund balance is used to earmark a portion of fund balance to indicate that it is not appropriate for expenditures or has been legally segregated for a specific future use. Restrictions of net assets shown in the Government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes.

11. Comparative Data

Comparative data for the year has not been presented in the accompanying financial statements since the inclusion of comparative data would make the statements unduly complex and difficult to read.

**NOTE B: CASH**

In accordance with Michigan Compiled Laws, the Township is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or any agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

**NOTE B: CASH - CONTINUED**

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities, issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Deposits

There is a custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2008, the carrying amount of the Township's deposits was \$306,214 and the bank balance was \$333,490.

Deposits of the Township are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the Township. As of March 31, 2008, the Township accounts were insured by the FDIC for \$101,984. The amount of \$231,506 was uninsured and uncollateralized.

Due to significantly higher cash flow at certain periods during the year, the amount the Township held as cash increased significantly. As a result, the amount of uninsured and uncollateralized cash was substantially higher at these peak periods than at year-end.

Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of March 31, 2008, the Township did not have any investments that would be subject to rating.

Interest rate risk

The Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by designing its portfolio with the objective of obtaining a rate of return throughout the budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio.

Concentration of credit risk

The Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying its investments by security type and institution to ensure that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

Custodial credit risk

The Township will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer by limiting investments to the types of securities listed in the Township's investment policy, and pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisors with which the Township will do business in accordance with the Township's investment policy.

Township of Brookfield  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

**NOTE C: CAPITAL ASSETS**

Capital asset activity for the year ended March 31, 2008 was as follows:

<b>Governmental activities</b>	<u>Balance April 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance March 31, 2008</u>
Capital assets being depreciated:				
Equipment	\$ 11,592	\$ 1,099	\$ -	\$ 12,691
Less accumulated depreciation for:				
Equipment	( 1,932 )	( 2,428 )	-	( 4,360 )
Net capital assets being depreciated	<u>\$ 9,660</u>	<u>\$( 1,329 )</u>	<u>\$ -0-</u>	<u>\$ 8,331</u>

All of the depreciation expense for the year was charged to the general government function in the statement of activities.

<b>Business-type activities</b>	<u>Balance April 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance March 31, 2008</u>
Capital assets not being depreciated:				
Land	\$ 180,556	\$ -	\$ -	\$ 180,556
Construction in progress	<u>2,783,728</u>	<u>327,055</u>	<u>-</u>	<u>3,110,783</u>
	<u>\$ 2,964,284</u>	<u>\$ 327,055</u>	<u>\$ -0-</u>	<u>\$ 3,291,339</u>

**NOTE D: LONG-TERM DEBT**

The following is a summary of changes in long-term debt (including current portion) of the Township for the year ended March 31, 2008.

	<u>Balance April 1, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance March 31, 2008</u>	<u>Amounts Due Within One Year</u>
<b>PRIMARY GOVERNMENT</b>					
Business-type Activities					
Land Purchase Loan	\$ 180,556	\$ -	\$ 8,552	\$ 172,004	\$ 8,918
Act 185 SDS Bonds	<u>2,465,657</u>	<u>274,343</u>	<u>125,000</u>	<u>2,615,000</u>	<u>125,000</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 2,646,213</u>	<u>\$ 274,343</u>	<u>\$ 133,552</u>	<u>\$ 2,787,004</u>	<u>\$ 133,918</u>

Significant details regarding outstanding long-term debt (including current portion) are presented below:

**PRIMARY GOVERNMENT**

Land Purchase Loan

\$180,556 Loan dated May 2, 2006, for the purchase of land for use in the Narrow Lake Sewer construction project, due in annual installments ranging from \$8,918 to \$15,570 through May 1, 2021, with interest of 4.750 percent, payable annually.

\$ 172,004

Township of Brookfield

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

**NOTE D: LONG-TERM DEBT - CONTINUED**

**Act 185 SDS Bonds**

\$2,860,000 Sewage Disposal System Bonds, due in annual installments ranging from \$125,000 to \$165,000 through April 1, 2026, with interest of 1.625 percent, payable semi-annually.

\$ 2,615,000

\$ 2,787,004

**Annual Requirements for Bonded Debt and Installment Loans**

The annual requirement to pay the debt principal and interest outstanding for the following loan is as follows:

**Primary Government**

Year Ending <u>March 31,</u>	<u>Land Purchase Loan</u>		<u>Act 185 SDS Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 8,918	\$ 8,306	\$ 125,000	\$ 41,478
2010	9,370	7,854	130,000	39,406
2011	9,821	7,403	130,000	37,293
2012	10,294	6,930	130,000	35,181
2013	10,772	6,452	135,000	33,028
2014-2018	62,245	23,874	705,000	131,462
2019-2023	60,584	7,406	770,000	71,500
2024-2027	-	-	490,000	12,025
	<u>\$ 172,004</u>	<u>\$ 68,225</u>	<u>\$ 2,615,000</u>	<u>\$ 401,373</u>

**NOTE E: DEFERRED COMPENSATION PLAN**

The Township of Brookfield offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The assets of the plan were held in trust (custodial account or annuity contract) as described in IRC Section 457(g) for the exclusive benefit of the participants and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of the Section 457 plan, and the assets may not be diverted to any other use. The administrators are agents of the employer (Township of Brookfield) for the purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in the Township of Brookfield's financial statements.

**NOTE F: RISK MANAGEMENT**

The Township participates in a pool, the Michigan Municipal Liability and Property Pool, with other municipalities for auto, property, additional equipment, boiler and machinery, official bond and oath, crime, and liability losses. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self insurance pool. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Township has not been informed of any special assessments being required.

The Township has purchased commercial insurance to minimize the risk of loss due to workers' compensation claims.

Township of Brookfield

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

**NOTE G: EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amounts appropriated.

In the budgetary comparison schedule, the Township's budgeted expenditures in the General Fund have been shown at the activity level. The approved budgets of the Township have been adopted at the activity level for the General Fund.

During the year ended March 31, 2008, the Township incurred expenditures in the General Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General government			
Legislative	\$ 11,500	\$ 11,508	\$ 8
Elections	650	1,101	451
Clerk	16,775	16,931	156
Board of Review	517	563	46
Treasurer	14,175	15,341	1,166
Township Hall	2,190	2,763	573
Capital outlay			
Equipment	3,750	5,758	2,008

## **REQUIRED SUPPLEMENTARY INFORMATION**

Township of Brookfield

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2008

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Taxes				
Current property taxes	\$ 37,500	\$ 73,000	\$ 35,069	\$ (37,931)
Tax administration fees	13,500	12,000	18,376	6,376
Total taxes	51,000	85,000	53,445	(31,555)
Intergovernmental				
State shared revenue	92,500	86,000	98,317	12,317
Metro act	-	-	3,560	3,560
Total intergovernmental	92,500	86,000	101,877	15,877
Charges for services				
Land division	1,500	175	-	(175)
Fire runs	5,500	500	500	-0-
Cemetery lot sales	2,000	1,960	1,960	-0-
Total charges for services	9,000	2,635	2,460	(175)
Interest	3,800	5,000	5,268	268
Other revenue				
Refunds and rebates	6,600	5,200	5,189	(11)
<b>TOTAL REVENUES</b>	<b>162,900</b>	<b>183,835</b>	<b>168,239</b>	<b>(15,596)</b>
<b>EXPENDITURES</b>				
Current				
General government				
Legislative	7,100	11,500	11,508	(8)
Executive	8,807	8,757	8,757	-0-
Elections	1,500	650	1,101	(451)
Assessor	20,700	19,900	9,786	10,114
Clerk	14,055	16,775	16,931	(156)
Board of review	500	517	563	(46)
Treasurer	15,200	14,175	15,341	(1,166)
Township hall	2,700	2,190	2,763	(573)
Cemetery	8,400	8,713	8,713	-0-
Attorney	2,500	-	-	-0-
Total general government	81,462	83,177	75,463	7,714
Public safety				
Fire protection	35,000	35,000	17,309	17,691



Township of Brookfield

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended March 31, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES - CONTINUED				
Current - continued				
Public works				
Drains at large	\$ 7,000	\$ 7,100	\$ 7,043	\$ 57
Road maintenance	35,000	34,162	34,162	-0-
Total public works	42,000	41,262	41,205	57
Health and welfare				
Ambulance contracted services	2,100	1,124	1,124	-0-
Other				
Insurance	7,200	7,500	6,408	1,092
Capital outlay				
Equipment	3,000	3,750	5,758	(2,008)
TOTAL EXPENDITURES	170,762	171,813	147,267	24,546
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(7,862)	12,022	20,972	8,950
OTHER FINANCING SOURCES				
Transfers in	-	-	2,843	2,843
NET CHANGE IN FUND BALANCE	(7,862)	12,022	23,815	11,793
Fund balance, beginning of year	115,083	115,083	115,083	-0-
Fund balance, end of year	\$ 107,221	\$ 127,105	\$ 138,898	\$ 11,793

## **OTHER SUPPLEMENTARY INFORMATION**

Township of Brookfield  
Nonmajor Governmental Funds  
COMBINING BALANCE SHEET  
March 31, 2008

	<u>Permanent Funds</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Nellie Miller</u>	<u>Lela Troutner</u>	
ASSETS			
Cash - restricted	<u>\$          294</u>	<u>\$          527</u>	<u>\$          821</u>
FUND BALANCES			
Reserved for Cemetery maintenance	<u>\$          294</u>	<u>\$          527</u>	<u>\$          821</u>

Township of Brookfield

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES

Year Ended March 31, 2008

	Permanent Funds		Total Nonmajor Governmental Funds
	Nellie Miller	Lela Troutner	
REVENUES			
Interest	\$ 2	\$ 3	\$ 5
Fund balances, beginning of year	292	524	816
Fund balances, end of year	<u>\$ 294</u>	<u>\$ 527</u>	<u>\$ 821</u>

## Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA  
Alan D. Panter, CPA



## **ABRAHAM & GAFFNEY, P.C.**

Certified Public Accountants

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### **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS**

To the Members of the Township Board  
Township of Brookfield  
Eaton County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Brookfield, as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated September 25, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control over financial reporting.

#### PREPARATION OF FINANCIAL STATEMENTS

Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). Responsibility for the financial statements of the Township rests with the Township's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal accounting records), and (2) reporting government-wide and fund financial statements, including the related note disclosures (i.e., external financial reporting).

It has historically been common for many small to medium-sized governments to rely on the independent auditors to assist in the preparation of the government-wide and fund financial statements, as well as the related notes to the financial statements, as part of its external financial reporting process. As a result, a government's ability to prepare financial statements in accordance with GAAP has typically been based, in part, on its reliance on the independent auditors. By definition, independent auditors cannot be part of the government's internal controls.

## PREPARATION OF FINANCIAL STATEMENTS - CONTINUED

The condition noted in the preceding paragraph exists at the Township of Brookfield. The cause for this condition is simply because it is more cost effective to outsource the preparation of its annual financial statements to the independent auditors than to incur the time and expense of having the employees and/or management obtain the necessary training and expertise required to perform this task internally. This condition was noted and reported in our prior year audit comments.

As a result of this condition, the employees and/or management do not possess the qualifications necessary to prepare the Township's annual financial statements and notes to the financial statements in accordance with GAAP. The Township relies, in part, on the independent auditors for assistance with the preparation of annual financial statements and related notes to the financial statements in accordance with GAAP.

We recommend the Township consider obtaining the proper training for the appropriate staff members to assure that they are able to fully understand what goes into the preparation of the annual audited financial statements, assure there are no material misstatements, and assure there are appropriate disclosures in accordance with accounting principles generally accepted in the United States of America.

A *material weakness* is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We consider the deficiencies described below to be material weaknesses in internal control over financial reporting.

### MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS

Material journal entries were proposed by the auditors to properly account for cash, accounts receivable, accounts payable, taxes receivable, due to other funds, due from other funds, capital assets, notes payable, and others areas. These misstatements were not detected by the Township's internal control over financial reporting. This issue was noted and reported in our prior year audit comments.

Statement on Auditing Standards No. 112 (SAS 112), *Communicating Internal Control Related Matters Identified in an Audit*, emphasizes that management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows, including the notes to financial statements, in conformity with U.S. generally accepted accounting principles. The auditor cannot be a part of internal controls.

We recommend that the Township take steps to ensure that material journal entries are not necessary at the time future audit analysis is performed.

### SEGREGATION OF DUTIES

During our consideration and assessment of fraud risk, we noted that at the present time, the Township does not have sufficient segregation of duties in its accounting structure. The intent of internal control is to assure that no one individual is able to control all aspects of a transaction cycle. This issue was noted and reported in our prior year audit comments.

While this is a common occurrence in many smaller organizations due to the limited number of employees, the Township should realize that a greater risk in safeguarding assets exists if duties and responsibilities are not appropriately arranged and separated. In smaller entities, where the number of employees is limited and duties cannot be adequately separated, the Township's management must provide a greater review and supervision of employee functions and procedures.

We recommend that the Township's management review various areas of operation and consider additional segregation duties to provide better internal controls.

## LACK OF A DOUBLE ENTRY ACCOUNTING SYSTEM

During the course of our audit, we noted that the Township does not employ a true double-entry accounting system. Various receipt, disbursement, and checkbook-type ledgers are maintained, but there are no records of balance sheet accounts that can be related to the existing ledgers. As a result, the bank reconciliations that are prepared are not being compared to a "book balance" to verify they are in agreement with the general ledger. This issue was noted and reported in our prior year audit comments.

The Uniform Accounting Procedures Manual issued by the Michigan Department of Treasury details requirements related to the basic financial records, documents, and procedures that are applicable to all counties and local units of government in Michigan states that a full general ledger must be maintained that documents the history of all assets, liabilities, fund balances, revenues, and expenditures. This issue was noted and reported in our audit comments for the prior year.

We recommend the Township implement a double-entry accounting system, whether manual or computerized, which will help to maintain all of the general ledger accounts required by the Michigan Department of Treasury.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed the following instance of noncompliance or other matters.

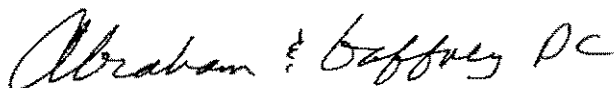
## BUDGETS

As noted in the financial statements, some of the activities of the Township exceeded the amounts appropriated for the General Fund. This issue was noted and reported in our prior year audit comments.

Michigan Public Act 621 of 1978, as amended, provides that the Township adopt formal budgets for all applicable General and Special Revenue Funds, and shall not incur expenditures in excess of the amounts appropriated. Also, the Public Act requires amendments to be performed prior to incurring additional expenditures. The Act also prohibits the Township from appropriating more funds for expenditure than is available through current revenue sources and any accrued surplus or deficit from previous years.

We recommend the Township monitor expenditures against adopted budgets and make appropriate budget amendments as needed.

This report is intended solely for the information and use the members of the Board of the Township of Brookfield, others within the Township, and applicable departments of the State of Michigan and is not intended to be and should not be used by anyone other than these specified parties.



ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

September 25, 2008